

 **05hr_ab0646_AC-Ag_pt01**



Details:

(FORM UPDATED: 07/12/2010)

**WISCONSIN STATE LEGISLATURE ...
PUBLIC HEARING - COMMITTEE RECORDS**

2005-06

(session year)

Assembly

(Assembly, Senate or Joint)

Committee on ... Agriculture (AC-Ag)

COMMITTEE NOTICES ...

- Committee Reports ... **CR**
- Executive Sessions ... **ES**
- Public Hearings ... **PH**
- Record of Comm. Proceedings ... **RCP**

INFORMATION COLLECTED BY COMMITTEE FOR AND AGAINST PROPOSAL

- Appointments ... **Appt**
- Clearinghouse Rules ... **CRule**
- Hearing Records ... bills and resolutions
 - (**ab** = Assembly Bill) (**ar** = Assembly Resolution) (**ajr** = Assembly Joint Resolution)
 - (**sb** = Senate Bill) (**sr** = Senate Resolution) (**sjr** = Senate Joint Resolution)
- Miscellaneous ... **Misc**

Vote Record Committee on Agriculture

Date: 9/16/05

Moved by: Petrowski

Seconded by: Ainsworth

AB 1641e SB _____ Clearinghouse Rule _____
 AJR _____ SJR _____ Appointment _____
 AR _____ SR _____ Other _____

A/S Amdt _____
 A/S Amdt _____ to A/S Amdt _____
 A/S Sub Amdt _____
 A/S Amdt _____ to A/S Sub Amdt _____
 A/S Amdt _____ to A/S Amdt _____ to A/S Sub Amdt _____

Be recommended for:
 Passage Adoption Confirmation Concurrence Indefinite Postponement
 Introduction Rejection Tabling Nonconcurrency

<u>Committee Member</u>	<u>Aye</u>	<u>No</u>	<u>Absent</u>	<u>Not Voting</u>
Representative Alvin Ott, Chair	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Representative Lee Nerison	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Representative John Ainsworth	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Representative Jerry Petrowski	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Representative J.A. Hines	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Representative Scott Suder	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Representative Mary Williams	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Representative Gabe Loeffelholz	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Representative Debra Towns	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Representative Barbara Gronemus	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Representative Amy Sue Vruwink	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Representative Robert Ziegelbauer	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Representative Christine Sinicki	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Representative Louis Molepske	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Representative Joseph Parisi	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Totals:	<u>13</u>	<u>-</u>	<u>2</u>	<u> </u>

Motion Carried

Motion Failed

Vote Record Committee on Agriculture

Date: 9/16/05

Moved by: Petrowski

Seconded by: Ainsworth

AB 1046

SB _____

Clearinghouse Rule _____

AJR _____

SJR _____

Appointment _____

AR _____

SR _____

Other _____

A/S Amdt _____

A/S Amdt _____ to A/S Amdt _____

A/S Sub Amdt S 0190

A/S Amdt _____ to A/S Sub Amdt _____

A/S Amdt _____ to A/S Amdt _____ to A/S Sub Amdt _____

Be recommended for:

- Passage Adoption Confirmation Concurrence Indefinite Postponement
 Introduction Rejection Tabling Nonconcurrence

Committee Member

	<u>Aye</u>	<u>No</u>	<u>Absent</u>	<u>Not Voting</u>
Representative Alvin Ott, Chair	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Representative Lee Nerison	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
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Representative Joseph Parisi	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Totals:	<u>13</u>	<u>-</u>	<u>2</u>	<u> </u>

Motion Carried

Motion Failed

Vote Record Committee on Agriculture

Date: 9/16/05

Moved by: Ainsworth

Seconded by: Petrowski

AB 644

SB _____

Cleaninghouse Rule _____

AJR _____

SJR _____

Appointment _____

AR _____

SR _____

Other _____

A/S Amdt _____

A/S Amdt _____ to A/S Amdt _____

A/S Sub Amdt S 0190

A/S Amdt _____ to A/S Sub Amdt _____

A/S Amdt _____ to A/S Amdt _____ to A/S Sub Amdt _____

Be recommended for:

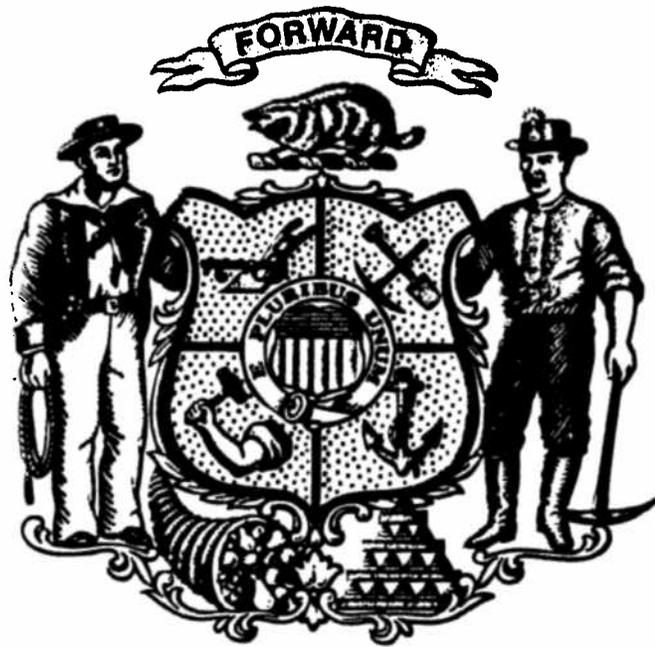
- Passage Adoption Confirmation Concurrence Indefinite Postponement
 Introduction Rejection Tabling Nonconcurrence

Committee Member

	<u>Aye</u>	<u>No</u>	<u>Absent</u>	<u>Not Voting</u>
Representative Alvin Ott, Chair	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
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Totals:	<u>13</u>	<u>-</u>	<u>2</u>	<u> </u>

Motion Carried

Motion Failed





WISCONSIN LEGISLATIVE COUNCIL
AMENDMENT MEMO

2005 Assembly Bill 646

**Assembly Substitute
Amendment 1**

Memo published: September 12, 2005

Contact: Mark C. Patronsky, Senior Staff Attorney (266-9280)

Assembly Bill 646 creates an income and franchise tax credit that may be taken by a person who pays income tax or franchise tax in Wisconsin. The amount of the income and franchise tax credit equals the amount that the taxpayer pays for sales and use tax in any taxable year on the purchase of personal property that is used in the business of farming. In the bill, farming includes dairy farming, agriculture, horticulture, floriculture, and custom farming services. The sales and use tax credit does not apply to motor vehicles for highway use such as automobiles and trucks; personal property that is attached to or that becomes part of or a capital improvement of real property; and personal property used in the construction of a building or the alteration, repair, or improvement of real property. The bill first applies to taxable years beginning on January 1, 2006.

Assembly Substitute Amendment 1 eliminates the income and franchise tax credit in the bill, and expands the current exemption from sales and use tax for certain specific purchases that are made in connection with the business of farming. Under the current statute, tractors and other machines that are used exclusively in the business of farming are exempt from the sales and use tax. The substitute amendment adds to this exemption the purchase of lubricants, nonpowered equipment, and other tangible personal property and extends the sales and use tax exemption to tractors, machines, lubricants, nonpowered equipment, and other tangible personal property that is consumed or loses its identity in the business of farming.

Effective Date

The effective date of the substitute amendment is the first day of the second month beginning after the bill is published.

Legislative History

Assembly Substitute Amendment 1 was adopted by a vote of Ayes, 13; Noes, 0, and recommended for passage as amended by a vote of Ayes, 13; Noes, 0.

MCP:ksm



Assembly Republican Majority

Bill Summary

Contact: Erin Ruby, Office of Rep. Al Ott

AB 646: Tax Credit for Sales & Use Tax Paid on the Purchase of Farming Inputs

Relating to: an income and franchise tax credit for the sales and use taxes paid on the purchase of tangible personal property used in farming.

By Representatives Ainsworth, Albers, Ballweg, Bies, Gronemus, Gunderson, Hines, F. Lasee, Loeffelholz, Musser, Nerison, Ott, Petrowski, Suder, Towns and Vos; cosponsored by Senators A. Lasee, Leibham, Olsen and Reynolds.

Date: September 20, 2005

BACKGROUND

Under current law, most inputs used exclusively and directly in the business of farming are exempt from sales and use tax. These items are specified in statute and include: tractors and machinery, accessories and parts for such equipment; auxiliary power generators, bale loaders, barn cleaners and other devices; seed, plants, fertilizers and other inputs; semen for artificial insemination of livestock; and fuel and electricity.

SUMMARY OF AB 646 (AS AMENDED BY COMMITTEE)

Assembly Bill 646 expands the current exemption from sales and use tax for inputs purchased in connection with the business of farming. The bill adds to this exemption the purchase of lubricants, non-powered equipment, and other tangible personal property used exclusively and directly – or which are consumed or lose their identity – in the business of farming. In the bill, farming includes dairy farming, agriculture, horticulture, floriculture, and custom farming services.

The sales and use tax exemption does not apply to motor vehicles for highway use such as automobiles and trucks; personal property that is attached to or that becomes part of a capital improvement of real property; and personal property used in the construction of a building or the alteration, repair, or improvement of real property.

Non-powered equipment that would be exempt under the bill includes items such as calf stalls, cattle chutes, cow mats, and non-powered waterers. Other personal property that would be exempt under the bill includes vitamins, feed supplements and hormones used on livestock.

AMENDMENTS

Assembly Substitute Amendment 1 to Assembly Bill 646 eliminates the income and franchise *tax credit* in the bill, and substitutes a sales and use *tax exemption* for the purchase of lubricants, non-powered equipment, and other tangible personal property used exclusively and directly – or which are consumed or lose their identity – in the business of farming. The amendment also changes the effective date of the bill to the first day of the second month beginning after the bill is published [adopted 13-0-2 (Reps. Gronemus and Sinicki were absent)].

FISCAL EFFECT

A fiscal estimate prepared by the Department of Revenue indicates 15% of farm supplies purchased (at an estimated value of \$77.9 million) are currently taxable and would be eligible for the sales and use tax

exemption under Assembly Bill 646. Assuming a 95% compliance rate, state sales tax revenue would decrease by \$3.7 million per year. Local sales tax revenue would decrease by about \$200,000 annually. Administrative costs would be absorbed by the Department, as no income tax form changes are required.

PROS

1. By reducing the cost of production, Assembly Bill 646 will enhance the ability of Wisconsin farmers to compete with agricultural producers in other states. Wisconsin is currently at a competitive disadvantage to those states already offering sales and use tax exemptions on these farm inputs.
2. This is not a special exemption for agriculture, but rather an opportunity to provide agricultural producers with the same tax exemption for inputs as those received by manufacturers.
3. AB 646 will foster economic growth and development by allowing farm businesses access to more of their own money for reinvestment in their operations.

CONS

1. The exemptions under the bill would reduce tax revenue and narrow the tax base, thereby shifting more of the cost of public services to remaining taxpayers.
2. AB 646 is vague in that it would exempt "other tangible personal property" that is consumed or loses its identity in the business of farming. The lack of clarity may be a burden for merchants. In addition, a general exemption may be abused.

SUPPORTERS

Please Note: Assembly Bill 646 did not have a public hearing. However, as amended, the bill is identical to Assembly Bill 346, which had a public hearing on August 18, 2005. The following people testified or registered in support of Assembly Bill 346.

Rep. John Ainsworth, author; Sen. Alan Lasee, lead co-sponsor; Steve Mergen, Monsanto Dairy Business; John Vrieze; Senator Joe Leibham, 9th Senate District; Kristy Wech, Monsanto Dairy Business; Jordan Lamb, Wisconsin State Cranberry Growers Association, Wisconsin Potato & Vegetable Growers Association, Wisconsin Pork Association, Wisconsin Cattlemen's Association and Wisconsin Soybean Association; John Manske, Wisconsin Federation of Cooperatives; Sabrina Gentile, Wisconsin Farm Bureau Federation; Laurie Fischer, Dairy Business Association; Amy Winters, CropLife America and Monsanto; Mitch Breunig, Mystic Valley Dairy, LLC; Steven Thomas, Monsanto; Ferron Havens, Wisconsin Agribusiness Council.

OPPOSITION

Please Note: The following people testified or registered in opposition to Assembly Bill 346.

Tom Ourada, Wisconsin Department of Revenue; Mike Hinnendael, Wisconsin Department of Revenue.

HISTORY

Assembly Bill 646 was introduced on August 30, 2005, and referred to the Assembly Committee on Agriculture. A public hearing was not held on Assembly Bill 646. However, as amended, the bill is identical to Assembly Bill 346, which had a public hearing on August 18, 2005. On September 6, 2005, the Committee voted 13-0-2 [Reps. Gronemus and Sinicki were absent] to recommend passage of AB 646 as amended.